Utah must diversify energy sources

By Edwin R. Stafford and Cathy L. Hartman

My view

Utah faces some tough choices regarding its energy future. Over the next three decades, Utah's population is expected to grow 70 percent, requiring new electricity sources to meet new urbanization, stabilize prices and improve local air quality. Presently, coal-fired generators produce about 95 percent of Utah's electricity. While coal will always serve as a key energy source, it's smart to diversify Utah's energy mix by adding price-stable, renewable sources. Finding the right market mechanisms to modernize energy generation is the challenge, and some states have found an answer.

Earlier this month, New York Republican Gov. George Pataki electrified renewable energy entrepreneurs and advocates with an announcement that 25 percent of New York's electricity supply will come from solar and wind sources within the next decade. The order, called a "Renewable Portfolio Standard," is expected to jumpstart construction of about 4,000 megawatts of alternative power across the state by guaranteeing a clean power market for investors and lenders.

New York's aggressive goal follows California's passage last summer of a similar RPS requiring electricity retailers to increase their use of renewable sources by at least 20 percent by 2017, nearly doubling the state's existing clean energy base. In the wake of a volatile energy market in recent years, California sees investments in renewable sources as the way to secure against price shocks associated with traditional fossil fuels.

Surprisingly, Texas was one of the pioneering states to adopt RPS when in 1999 then-Gov. George Bush signed legislation that resulted in what the Wall Street Journal has dubbed "The New Texas Wind Rush." Blending renewable targets with a system of renewable energy trading credits has expanded wind generation capacity and allowed economies of scale to make wind cost competitive with traditional fossil fuel sources.

The development of wind farms has brought economic development to West Texas ranchers who have been adversely affected by years of drought. Texas landowners are making about $3,200 per wind turbine per year, with them placed about every 25 acres.

Technological advances have made renewable energy increasingly feasible, and 13 states have passed RPS legislation, including Nevada and Arizona, attracting investments and setting the stage for economic development for local businesses and rural communities.

Utah has an opportunity to take advantage of the economic, environmental and energy security benefits of renewable energy. The Utah Legislature is considering RPS legislation, requiring utilities serving Utah to provide at least 4 percent of their power from renewable sources by 2004, 7 percent by 2007 and 10 percent by 2010. It's a good idea, designed to help utilities transition into clean energy while keeping customer costs affordable.

RPS is a flexible, market-driven policy intended to diversify and balance the current portfolios of electricity sources (e.g., natural gas, coal, nuclear) by making renewable sources (wind, solar, biomass, geothermal) more competitive and attractive. RPS sets a minimum amount of electricity to be generated from renewable sources but allows investors, entrepreneurs and generators to make decisions on how they'll meet the minimum. Compliance is evaluated by the possession of "renewable energy credits," and firms can either generate their own credits by investing in renewable energy projects or purchase them in the open market from companies who may generate excess credits. In short, RPS provides compliance flexibility.

The market fosters efficiency, competitiveness and innovation to drive renewable energy development. Companies who are most efficient at generating renewable power will produce it. The ability to generate credits that may be sold creates further incentive for efficient companies to expand their renewable sources, encouraging economies of scale and driving renewable energy prices down further. The use of credits allows companies who are less efficient to buy credits and "buy time" to retrofit and modernize their electricity generation facilities.

For Utah, the development of renewable energy, particularly wind power, can bring economic benefits. As evidenced in Texas, landowners can earn "wind royalties," turbines erected on their properties. Moreover, wind development projects can provide opportunities for local contractors and businesses supplying labor, steel, concrete, roads, turbine components and electrical and engineering services. Indeed, large scale renewable energy projects in Utah could attract good-paying jobs to the state, bolstering tax revenues for state services. Such economic opportunities, however, cannot be realized without a guaranteed market for renewable sources created by RPS legislation.

Given Utah's expected growth, diversifying into price- stable, clean renewable sources is smart. We urge the Legislature to support RPS and secure Utah's energy and environmental future.

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